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**FISCAL IMPACT STATEMENT**

**LS 6431**

**BILL NUMBER:** SB 506

**NOTE PREPARED:** Jan 7, 2013

**BILL AMENDED:**

**SUBJECT:** Unemployment Insurance.

**FIRST AUTHOR:** Sen. Boots

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**     **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** The bill provides that, after December 31, 2013, a professional employer organization (PEO) shall report and pay all required contributions to the Unemployment Compensation Fund using each client's state employer account number and the premium rate determined using only that client's experience. It also provides that a client without an experience record sufficient to determine a premium rate is treated as a new employer.

The bill makes a technical correction concerning successor employer premium rates. The bill repeals in Title 27 and establishes in Title 22 language concerning the determination and payment of employer premium rates by a PEO. It voids obsolete Department of Workforce Development rules concerning PEOs.

**Effective Date:** July 1, 2013; January 1, 2014.

**Explanation of State Expenditures: Summary:** The bill would impact DWD, as the administrator of Indiana's unemployment insurance program. Depending upon the number of clients represented by PEOs in Indiana, the bill may increase the number of employer accounts DWD must track and collect experience accounts on. In addition, it may change the distribution of employer premium rates paid into the Unemployment Insurance (UI) system.

**Background: Professional Employer Organizations** - PEOs provide various services related to human resources management, such as payroll processing, benefit management, and regulation compliance. PEOs often operate in a co-employment relationship with their clients, by including the clients' workers on their own

payrolls (Source: Federal Reserve Bank of Chicago, 2008).

*UI Employer Accounts, Experience Record, and Premium Rates* - Indiana employers pay state unemployment insurance premiums which have rates that are experience-based. An employer's experience account consists of all UI premiums, voluntary payments, reimbursements, and mutualized benefit charges, as well as money drawn from the employer's account for UI benefits paid to former employees, employees working reduced hours, and laid-off employees. The experience account and whether or not it has a credit reserve (premiums paid exceed benefits paid) or debit reserve balance (benefits paid exceed premiums paid) has a direct impact on the amount of UI premiums paid by employers. Employers who have an experience account with a credit reserve balance will pay lower UI premiums than those with a debit reserve balance. Employers who are late in reporting or paying premiums will also pay a higher premium rate. New employers in 2012 paid a standard rate of 2.5% until such time as they are deemed eligible for the experience-based rate system.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Workforce Development.

**Local Agencies Affected:**

**Information Sources:** Department of Workforce Development ([www.in.gov/dwd/2558.htm](http://www.in.gov/dwd/2558.htm)).

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